

# **THE LEONARD LETTER**

*April 11, 2005*

## **QUOTE OF THE WEEK**

*"The great danger for family life, in the midst of any society whose idols are pleasure, comfort and independence, lies in the fact that people close their hearts and become selfish." --- Pope John Paul II*

## **IN MEMORIUM**

### **\*\*\*Mother to a Leader\*\*\***

Senator Jim Brulte lost his mother last week. In helping her in her last years and moments, Jim showed the rest of us the power of love. The stereotype of political leaders is callous people in constant motion often offering words of encouragement but never staying around long enough to make a real impact. Although he has left public office and his advice is still sought after by governors and the President, Jim defies that stereotype. He does so because of what he learned from his mother, and so it is no surprise that he and his brother spent the last few weeks, and years really, assuring his mom that her salvation was secured by her belief in Jesus Christ and comforting her as she slipped away from earthly life. Jim sang hymns of praise while he held her. He has shown the rest of us true leadership of the most loving kind, and it is a far cry from the stereotype so many place on leaders of his stature. Rest in peace, Fergie Brulte.

## **UNDER THE DOME**

### **\*\*\*Don't Count on It\*\*\***

The State Controller issued a release last week that cash receipts through March are up 11.6 percent -- more than \$5.7 billion than last year. Everybody knows that the bulk of this increase is due to corporations using the state's tax amnesty program to pay large amounts of corporate income tax that they do not think they really owe. They are doing so to avoid the bad press that would result from any mistake that yields a 25% penalty after last month's closure of the amnesty window. Many of these corporate payments to the state were accompanied by claims for refund. The legislature is going to make a colossal error if they spend all this money.

### **\*\*\*Honor the Truth\*\*\***

I put out a release last week in opposition to the Democrats' proposal to raise the state's sales tax in order to eliminate the sales tax on gasoline. The Democrats are acknowledging that the sales tax on gasoline is not going to transportation projects, as

promised, and they are admitting that the state is profiteering from spiking gas prices. Since the truth is now out there, the honorable thing for them to do is to simply repeal the sales tax on gasoline. The Democrats finally acknowledged that the sales tax on gasoline is doing nothing to improve roads or benefit drivers. It is merely generating a windfall for the General Fund.

## **TAX AND BUDGET UPDATE**

### **\*\*\*Tax Freedom Day\*\*\***

Today has been declared national Tax Freedom Day by the Tax Foundation, which annually calculates the calendar date on which Americans have earned enough money to pay off their total tax bill for the year. While it is right to be annoyed that you must work into the second quarter just to pay all your local, state and federal taxes, there is at least a small piece of good news this year. April 11<sup>th</sup> is the earliest Tax Freedom Day in 37 years. Tax Foundation President Scott Hodge said, "Despite the dramatically lower tax burden in 2004, Americans will still spend more on taxes than they spend on food, clothing and medical care combined." Americans work 36 days to pay income taxes (28 for federal and 8 for state and local), 28 days to pay social insurance taxes, 16 days for sales and excise taxes, 11 days for property taxes and 9 days for business taxes. California's Tax Freedom Day is actually a bit later than the national day-- April 13<sup>th</sup> -- since our cost of living and salaries are higher and taxpayers therefore end up paying more in progressive income tax. Alaskans, on the other hand, celebrated their Tax Freedom Day earlier than anyone else in the nation, on March 26<sup>th</sup>.

### **\*\*\*Budget Quiz\*\*\***

Dan Carson at the Legislative Analyst's Office has issued his eighth annual state budget quiz. He is testing how closely members of the Capitol Press Corps read the budget information produced by the LAO. To those trying to answer the questions, Carson warns, "As is often the case in budget analysis, the more absurd the answer, the more likely it sometimes is to be correct." Though I am not offering the dozen Krispy Kremes to the winning reader as Carson is offering to the winning reporter, I believe you will find the quiz very entertaining and enlightening. I will share the answers in an upcoming issue. Here are some of my favorite questions:

1. The budget proposes to purchase firefighting helicopters to replace 11 choppers it received free from the federal government's "surplus" fleet. How much does the administration estimate the new helicopters will cost?  
(A) \$1 million to \$2 million each.  
(B) \$2 million to \$3 million each.  
(C) Up to \$15 million for a whole new fleet.  
(D) \$7 million to \$15 million each.

2. States and the federal government can sometimes transfer foreign inmates back to their country of origin. The state has about 6,500 inmates eligible for transfer now. Over the past three years, the federal prison system has transferred 857 foreign inmates. With an inmate population of roughly the same size as the federal system, how many foreign inmates has California transferred from its prisons during the same period?

- (A) 15.
- (B) 100.
- (C) 500.
- (D) 1,000.

3. The budget asks for additional funding for Caltrans to maintain storm water treatment structures. Based on a survey of four of the 12 Caltrans districts, the budget plan assumes Caltrans has 487 such structures. Based on a later survey of seven Caltrans districts, how many structures does Caltrans have to maintain statewide?

- (A) 97.
- (B) Caltrans did not say, but indicates the seven surveyed districts alone have 881 structures with 109 more expected by the end of the year.
- (C) Exactly 1,629.
- (D) More than 10,000.

4. The state education system is currently not spending all of the federal money it is allotted for before and after school care for disadvantaged K-12 students. How much unspent federal money does LAO estimate could revert to the federal government by September 2006?

- (A) \$12 million.
- (B) \$23.6 million.
- (C) \$47 million.
- (D) More than \$100 million.

## **MISCELLANY**

### **\*\*\*Good Words on Terri Schiavo\*\*\***

Much has been written and said about Terri Schiavo in recent weeks. Her death of suffering, contrasted with the Pope's peaceful passing, should give us all cause to reflect on our beliefs about the end of life. I urge all of you to read the thoughts of columnist Nate Hentoff. Nate is a liberal who has impeccable respect for the Constitution. He was of great help to me when I was fighting for the right of free speech to apply to college and high school students at the height of political correctness. Nate's words on Terri Schiavo are the best I have seen; you can read them at

[http://www.signonsandiego.com/uniontrib/20050403/news\\_mz1e3hentoff.html](http://www.signonsandiego.com/uniontrib/20050403/news_mz1e3hentoff.html).

### **\*\*\*A Good Read\*\*\***

This week I recommend Hernando de Soto's "The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else." I have quoted from it previously but encourage you to read the entire book. De Soto demonstrates how an established legal system (i.e., the rule of law) that recognizes, systematizes, and protects property rights—thereby making them widely transferable and fungible-- is indispensable for capitalism to work efficiently. He notes that only about 25 of the world's countries have a legal system that allows the majority of the citizens to have real property rights. In Africa, Latin America, and the former Soviet states, only a minority of people have true property rights. The real-life implication of that abstract concept is this: if you own a house but have no deed, you cannot create working capital by obtaining a mortgage, or if you own a business but there is no legal corporate structure, you cannot sell shares or issue bonds to create useful capital. De Soto brings our attention to many aspects of the U.S.'s political and economic structure that we take for granted. We must keep his points in mind as we help the oppressed around the world build free societies and economies. De Soto is the president of the Institute for Liberty and Democracy, a think tank in Lima, Peru. He assists many countries in improving their legal systems to establish and protect property rights, earning former President Bush declaration of his work as “a great contribution to ending economic stagnation.”

## **BOE AND LEGISLATIVE DATES**

**April 12, 2005** --- BoE meets in Sacramento.

**April 29, 2005** --- Last day for policy committees to hear and report fiscal bills.

**May 20, 2005** --- Last day for policy committees to meet prior to June 6.

**May 24-25, 2005** --- BoE meets in Sacramento.

**May 30, 2005** --- Memorial Day.

**June 15, 2005** --- Budget bill must be passed by midnight.

## **NOTABLE DATES/ HISTORY**

**April 11, 1890** --- Ellis Island was designated as an immigration station.

**April 11, 1895** --- Anaheim completed its new electric light system.

**April 12, 1898** --- Army transfers Yerba Buena Island in San Francisco Bay to the Navy.

**April 12, 1988** --- Sonny Bono was elected Mayor of Palm Springs, CA.

**April 13, 1860** --- First Pony Express reached Sacramento, CA.

**April 14, 1865** --- U.S. President Abraham Lincoln was assassinated in Ford's Theater by John Wilkes Booth. He actually died early the next morning.

**April 14, 1930** --- More than 100 farm workers were arrested for their unionizing activities in Imperial Valley, California. Eight were subsequently convicted of 'criminal syndicalism.'

**April 14, 1981** --- America's first space shuttle, Columbia, returned to Earth after its first flight. The shuttle orbited the Earth 36 times during the mission.

**April 15, 1850** --- The city of San Francisco was incorporated.

**April 15, 1955** --- Ray Kroc started the McDonald's restaurant chain. (This is a lie, of course, as Kroc simply bought an existing chain of McDonald's restaurants founded by the McDonald Bros. of San Bernardino, California years before this date.)

**April 16, 1861** --- Confederate forces attacked federal customs station at Fort Sumter, South Carolina.

**April 17, 1492** --- Christopher Columbus signed a contract with Spain to find the Indies.

**April 17, 1853** --- U.S. Marine Hospital at Presidio (San Francisco) was established.

**April 17, 1961** --- Bay of Pigs Invasion occurred, the consequences of which were worldwide denunciation of the U. S. and an intensive review of CIA operations.

**April 17, 1968** --- A's played their first game in Oakland-Alameda Stadium, losing 4-1 to the Baltimore Orioles.

**April 17, 1993** --- Four Los Angeles police officers were found guilty of violating Rodney King's civil rights.

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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